



City of Huntington Beach

P. O. BOX 190

• 2000 MAIN STREET

• CALIFORNIA 92648

MAYOR
Debbie Cook

MAYOR PRO TEMPORE
Keith Bohr

COUNCIL MEMBERS

Joe Carchio
Gil Coerper
Cathy Green
Don Hansen
Jill Hardy

May 21, 2008

RECEIVED
MAY 28 2008
TREASURER
STATE OF CALIFORNIA

Mr. Robert Grossman
Group Managing Director
U. S. Public Finance
Fitch Ratings
One State Street Plaza
New York, NY 10004

Dear Mr. Grossman:

The current system of assigning credit ratings to bonds issued by governmental entities which provide essential services to the public leads to indefensible market discrimination against state and local municipal issuers. The rating agencies' own studies show that the likelihood of default by municipal borrowers is much lower than for corporate borrowers with similar ratings. Ratings should be based primarily on an evaluation of the likelihood investors will suffer a loss due to default. Unfortunately, for municipal bonds, they are not. This practice costs taxpayers enormous amounts of money that could be invested in public programs and infrastructure.

We are respectfully requesting that Standard & Poor's, Moody's and Fitch take prompt, affirmative action to end the market discrimination caused by this current rating system. Specifically, we request that you create appropriate categories of corporate equivalency ratings for municipal bonds. The goal should be the use of a single rating scale, applicable to all bonds you rate (whether municipal, corporate or structured finance) that principally reflects the likelihood of investor loss from a default.

Yours truly,

Debbie Cook, Mayor

Xc: William Lockyer, California State Treasurer
League of California Cities
City Council
City Treasurer



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Ms. Gail Sussman
Group Managing Director
Public Finance
Moody's Investors Service
250 Greenwich Street
New York, NY 10007

Dear Mr. Sussman:

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May 21, 2008

Mr. William Montrone
Head of U.S. Public Finance Department
Standard & Poor's
55 Water Street
New York, NY 10041

Dear Mr. Montrone:

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